

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name	County
Fiscal Year End	Opinion Date	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature <i>Hennrich A. Berthiaume</i>	Printed Name		License Number	

RICHLAND-LOGAN FIRE AUTHORITY

Ogemaw County, Michigan

FINANCIAL STATEMENTS

March 31, 2008

RICHLAND-LOGAN FIRE AUTHORITY

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BERTHIAUME
& COMPANY

Certified Public Accountants



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INDEPENDENT AUDITORS' REPORT

To the Fire Board
Richland-Logan Fire Authority
Prescott, Michigan

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Richland-Logan Fire Authority, as of and for the year ended March 31, 2008, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Richland-Logan Fire Authority Board. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Richland-Logan Fire Authority, as of March 31, 2008, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison schedule, as identified in the table of contents, is not a required part of the basic financial statements but is supplemental information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Richland-Logan Fire Authority's basic financial statements. The accompanying other supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be part of, the basic financial statements.

Berthiaume & Co.

August 6, 2008
Saginaw, Michigan

RICHLAND-LOGAN FIRE AUTHORITY

GOVERNMENTAL FUND BALANCE SHEET – STATEMENT OF NET ASSETS

March 31, 2008

	Balance Sheet Modified Accrual	Adjustments (Note 2)	Statement of Net Assets - Full Accrual
ASSETS:			
Cash and cash equipments	\$ 126,079	\$ -	\$ 126,079
Taxes receivable	5,160	-	5,160
Prepaid expenses	6,246	-	6,246
Capital assets:			
Nondepreciable capital assets	-	3,000	3,000
Depreciable capital assets – net	-	299,066	299,066
	<u>\$ 137,485</u>	<u>\$ 302,066</u>	<u>439,551</u>
LIABILITIES AND FUND EQUITY:			
<i>Liabilities:</i>			
Accounts payable	\$ 2,255	\$ -	\$ 2,255
Notes payable:			
Due within one year	-	-	-
Due in more than one year	-	-	-
	<u>2,255</u>	<u>-</u>	<u>2,255</u>
<i>Fund Balance:</i>			
Unreserved/undesignated	135,230	(135,230)	-
	<u>\$ 137,485</u>		
Net Assets:			
Invested in capital assets, net of related debt		302,066	302,066
Unrestricted		135,230	135,230
Total net assets		<u>\$ 302,066</u>	<u>\$ 437,296</u>

The Notes to Financial Statements are an Integral Part of this Statement.

RICHLAND-LOGAN FIRE AUTHORITY

STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE/ STATEMENT OF ACTIVITIES

For the Year Ended March 31, 2008

	Revenues and Expenditures - Modified Accrual	Adjustments (Note 2)	Statement of Activities - Full Accrual
REVENUES:			
Property taxes – Richland Township	\$ 27,489	\$ -	\$ 27,489
Property taxes – Logan Township	24,812	-	24,812
Fire runs	3,800	-	3,800
Insurance claim	1,391	-	1,391
Interest	2,758	-	2,758
Other	954	-	954
	<u>61,204</u>	<u>-</u>	<u>61,204</u>
EXPENDITURES/EXPENSES:			
Public Safety:			
Operations	39,635	-	39,635
Depreciation	-	19,482	19,482
Capital outlay	6,257	(3,272)	2,985
Debt service	-	-	-
	<u>45,892</u>	<u>16,210</u>	<u>62,102</u>
Change in fund equity/net assets, increase (decrease)	15,312	(16,210)	(898)
Fund equity/net assets, beginning of year	<u>119,918</u>	<u>318,276</u>	<u>438,194</u>
Fund equity/net assets, end of year	<u>\$ 135,230</u>	<u>\$ 302,066</u>	<u>\$ 437,296</u>

The Notes to Financial Statements are an Integral Part of this Statement.

RICHLAND-LOGAN FIRE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the Fire Authority included in the basic financial statements conform to U.S. generally accepted accounting principles applicable to state and local governments.

A. Reporting Entity –

The Richland-Logan Fire Authority was created in 1998 by the Townships of Richland and Logan. The Authority was created to maintain and operate a joint fire department for the purpose of providing and furnishing fire protection within the geographical boundaries of the two Townships. The Fire Authority is governed by an appointed Administrative Board with each unit of government appointing members to the Board.

B. Government-Wide and Fund Financial Statements –

The government-wide financial statements (i.e. the Statement of Net Assets and the Statement of Changes in Net Assets) report information of all activities of the Fire Authority. The Richland-Logan Fire Authority is accounted for in one governmental type fund.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation –

The government-wide financial statements (i.e. the Statement of Net Assets and Statement of Activities) are reported using the economic resource measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grant and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The fund (modified accrual) statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized when it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures related to compensated absences and claims and judgments, if any, are recorded only when payment is due.

D. Assets, Liabilities and Net Assets or Equity –

Cash Equivalents – Cash equivalents are deposits and short-term investments that are readily convertible to cash or have a maturity date of 90 days or less from the date of purchase.

RICHLAND-LOGAN FIRE AUTHORITY

NOTES TO FINANCIAL STATEMENTS, continued

March 31, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

Capital Assets – capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the Fire Authority as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets are depreciated using the straight-line method over the following:

	<u>Years</u>
Equipment and trucks	5 - 20
Buildings	40
Land improvements	15

Deferred Revenues – In both the government-wide and in the fund (modified accrual) financial statements, revenue received or recorded before it is earned is recorded as deferred revenue. In addition, in the fund statements, revenues that are not both measurable and available are recorded as deferred revenues. The Fire Authority has no deferred revenues as of March 31, 2008.

Long-Term Obligations – In the government-wide financial statements, long-term debt and other long-term obligations, if any, are reported as liabilities in the statement.

In the fund financial statements, these items are recorded as an expenditure when paid.

Estimates – In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

RICHLAND-LOGAN FIRE AUTHORITY

NOTES TO FINANCIAL STATEMENTS, continued

March 31, 2008

NOTE 2: RECONCILIATION OF GOVERNMENT-WIDE AND FINANCIAL STATEMENTS

- A. Reconciliation of differences between the fund (modified accrual) balance sheet and the government-wide statements of net assets.

Fund balance, March 31, 2008	\$ 135,230
Capital assets used in the modified accrued activities which are not financial resources and therefore are not reported in the fund statements	
Add – capital assets	409,365
Deduct – accumulated depreciation	<u>(107,299)</u>
Net assets, March 31, 2008	<u><u>\$ 437,296</u></u>

- B. Reconciliation of differences between the fund (modified accrual) statement of revenues, expenditures and changes in fund balance and the government-wide statement of net activities.

Net changes increase (decrease) in fund balance – modified accrual, for the year ended March 31, 2008	\$ 15,312
The fund (modified accrual) statements report capital outlay as expenditures. However, in the Statement of Net Assets, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expenses	
Add – capital outlay	3,272
Deduct – depreciation	<u>(19,482)</u>
Change in net assets, for year ended March 31, 2008	<u><u>\$ (898)</u></u>

NOTE 3: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The Uniform Budgetary and Accounting Act, PA 2 of 1968, as amended, provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated.

During the year, the Fire Authority incurred no expenditures which were in excess of the amounts appropriated.

RICHLAND-LOGAN FIRE AUTHORITY

NOTES TO FINANCIAL STATEMENTS, continued

March 31, 2008

NOTE 4: DEPOSITS AND INVESTMENTS

The investment policy adopted by the Fire Authority is in accordance with Public Act 196 of 1997. The Authority's deposits and investments have been made in accordance with statutory authority.

The Authority's deposits and investments are subject to risk, which is examined in more detail below.

Custodial Credit Risk of Bank Deposits:

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk. At year end, the Authority had \$126,377 of bank deposits (certificates of deposit, checking, and savings accounts), of which \$106,019 was covered by federal depository insurance and the remainder was uninsured and uncollateralized. The Authority believes that due to the dollar amounts of cash deposits, and the limits of FDIC insurance, it is impractical to insure all deposits.

The Authority had no investments at March 31, 2008.

NOTE 5: CAPITAL ASSETS

Capital assets activity for the year ended March 31, 2008 was as follows:

	Balance at April 1, 2007	Additions	Deletions	Balance at March 31, 2008
Nondepreciable Capital Assets:				
Land	\$ 3,000	\$ -	\$ -	\$ 3,000
Depreciable Capital Assets:				
Building	210,000	-	-	210,000
Land improvements	10,310	-	-	10,310
Equipment and trucks	182,783	3,272	-	186,055
	403,093	3,272	-	406,365
Accumulated Depreciation:				
Building	42,000	5,250	-	47,250
Land improvements	687	688	-	1,375
Equipment and trucks	45,130	13,544	-	58,674
	87,817	19,482	-	107,299
Depreciable capital assets, net	\$ 315,276	\$ (16,210)	\$ -	\$ 299,066
Capital assets, net	\$ 318,276	\$ (16,210)	\$ -	\$ 302,066

RICHLAND-LOGAN FIRE AUTHORITY

NOTES TO FINANCIAL STATEMENTS, continued

March 31, 2008

NOTE 6: LONG-TERM DEBT

The Fire Authority has no long-term debt as of March 31, 2007 and 2008.

NOTE 7: PROPERTY TAXES

The Fire Authority is authorized, by vote of the people in Richland and Logan Townships, to levy a 1 mill tax for operations on the assessed taxable values in each Township. The millage rate for 2007, as adjusted, was .8894 mills. The assessed taxable values for Richland and Logan Townships were \$30,914,841 and \$27,897,347 respectively.

NOTE 8: RISK MANAGEMENT

The Fire Authority is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters.

The Fire Authority carries commercial insurance for liability and property loss.

REQUIRED SUPPLEMENTAL INFORMATION

RICHLAND-LOGAN FIRE AUTHORITY

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

March 31, 2008

	Original/ Amended Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Property taxes	\$ 49,447	\$ 52,301	\$ 2,854
Interest	-	2,758	2,758
Other	4,000	6,145	2,145
	<u>53,447</u>	<u>61,204</u>	<u>7,757</u>
EXPENDITURES:			
Operations	40,170	39,635	535
Capital outlay	17,000	6,257	10,743
Debt service	-	-	-
	<u>57,170</u>	<u>45,892</u>	<u>11,278</u>
Change in fund equity	(3,723)	15,312	19,035
Fund equity, beginning of year	<u>119,918</u>	<u>119,918</u>	<u>-</u>
Fund equity, end of year	<u>\$ 116,195</u>	<u>\$ 135,230</u>	<u>\$ 19,035</u>



REQUIRED COMMUNICATION TO RICHLAND-LOGAN FIRE AUTHORITY IN ACCORDANCE WITH PROFESSIONAL STANDARDS

To the Authority Board
Richland-Logan Fire Authority

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Richland-Logan Fire Authority for the year ended March 31, 2008, and have issued our report thereon dated August 6, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated December 14, 2006, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities. The financial statements do not include a Management Discussion & Analysis. You have elected to exclude it because it is not required to be part of the basic financial statements.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Richland-Logan Fire Authority are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates may be particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no sensitive estimates affecting the financial statements.

Disclosures

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures may be particularly sensitive because of their significance to financial statement users.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements, if any.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated August 5, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Discussions with Management

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Internal Control Matters

In planning and performing our audit of the financial statements of Richland-Logan Fire Authority as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Richland-Logan Fire Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that misstatement of the Organization's financial statements that is more than inconsequential will not be prevented or detected by the Organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined above.

Deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above, follow:

Recording, Processing and Summarizing Accounting Data

Criteria: All governmental units are required to have in place internal controls over recording, processing, summarizing accounting data and preparing financial statements. SAS No. 112 requires us to communicate with you about this.

Conditions: As is the case with many smaller and medium-sized entities, the Fire Authority (government) has historically relied on its independent external auditors to assist in the recording, processing, summarizing accounting data and preparing financial statements as part of its external financial reporting process. Accordingly, the government has placed reliance on its external auditors, who cannot by definition be considered a part of the government's internal controls.

Cause: This condition was caused by the government's decision that it is more cost effective to have external auditors recommend the necessary adjusting journal entries to its general ledger and prepare the financial statements than to incur the time and expense for the government to perform these tasks internally.

Effect: As a result of this condition, the government lacks internal controls over the recording, processing, summarizing accounting data and preparing financial statements, and instead relied, in part, on its external auditors for assistance with this task.

View of Responsible Officials: The government has evaluated the cost versus benefit of establishing internal controls over the recording, processing, summarizing accounting data and preparing financial statements, and determined that it is in the best interests of the government to rely on its external auditors to recommend the necessary adjustments and preparation of the financial statements.

Other Matters

- State Law requires that all local governmental units adopt an Investment Policy. It appears the Fire Authority needs to adopt the required Investment Policy. We have provided the Treasurer with a sample.
- The Authority, each month, is not receiving its cancelled checks (or pictures of) from the bank. It is recommended that you receive the cancelled checks (pictures of) each month.
- We noted occasional expenditures of "volunteer raised / donated" monies that were not fully supported with the required documentation. We have provided the Authority Treasurer with information in a memo concerning the proper accounting for volunteer revenues / expenditures.

This communication is intended solely for the information and use of management, Authority Board, and others within the Organization, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Berthiaume & Co.

Berthiaume & Company
Certified Public Accountants
Saginaw, Michigan

August 6, 2008